

Message Text

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ACTION AF-10

INFO OCT-01 EUR-12 IO-13 ISO-00 CIAE-00 DODE-00 PM-05
H-01 INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02
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FM AMEMBASSY PRETORIA
TO SECSTATE WASHDC 2244
INFO USMISSION USUN NEW YORK
AMEMBASSY BONN
AMEMBASSY LONDON
AMCONSUL CAPE TOWN POUCH
AMCONSUL DURBAN POUCH
AMCONSUL JOHANNESBURG POUCH

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E.O. 11652: N/A
TAGS: ECON, WA, EIND, SF
SUBJECT: NAMIBIAN ECONOMY: DIAMOND BOOM OFFSETS WEAKNESSES
IN OTHER SECTORS

SUMMARY: DESPITE NAMIBIA'S UNCERTAIN FUTURE, WHICH HAS
BROUGHT PRIVATE CONSTRUCTION AND INVESTMENT TO A STAND-
STILL AND A SEVERE SLUMP IN THE FISHING AND BASE METALS
MINING INDUSTRIES, SLIGHTLY POSITIVE ECONOMIC GROWTH IS
CLAIMED IN 1977. THE REASON FOR THIS IS THE ESCALATING
PRICE FOR DIAMONDS WHICH IS ALSO EXPECTED TO LEAD TO HIGHER
GOVERNMENT REVENUES AND PERMIT EXPANDED CAPITAL SPENDING IN
THE CURRENT FISCAL YEAR. GERMANY AND THE UK ARE STUDYING
NAMIBIA'S ECONOMIC AID REQUIREMENTS. FURTHER ANALYSIS OF
NAMIBIA'S ECONOMIC PROSPECTS IS CONTAINED IN PRETORIA A-70.
END SUMMARY.

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1. THE NAMIBIAN ECONOMY RECORDED A SLIGHT POSITIVE
GROWTH RATE IN 1977 OWING CHIEFLY TO THE RISE IN
DIAMOND PRICES. GROSS DOMESTIC PRODUCT WAS ESTIMATED AT
ABOUT ONE BILLION RAND (ONE RAND EQUALS \$1.15).

2. ONLY ONE OF FIVE OF THE MAJOR BASE METALS MINES

DECLARED PROFITS, AND THE GOVERNMENT HAS ANNOUNCED A R1.85 MILLION SUBSIDY ON ELECTRICITY TO CERTAIN MINES TO KEEP THEM FROM CLOSING.

3. FISHING INDUSTRY SUFFERED A DROP IN REVENUE FROM R102 MILLION TO R65 MILLION. PILCHARD CATCH WHICH FELL TO 200,000 TONS IN 1977 IS NOW ESTIMATED TO REACH ONLY 60,000 TONS IN 1978. THIS HAS SERIOUS ECONOMIC IMPACT SINCE FISH CANNERIES NORMALLY PROVIDE JOBS FOR 5,000 OVAMBOS FOR HALF A YEAR.

4. ALTHOUGH BOOM IN DIAMOND PRICES HAS LITTLE DIRECT EFFECT ON NAMIBIAN ECONOMY, IT IS PRIMARY FACTOR IN THE NEAR DOUBLING OF SWA ACCOUNT TO R106 MILLION UNDER WHICH SA COMPENSATES SWA FOR DIAMOND TAXES PAID IN SOUTH AFRICA. INCREASED FUNDS WILL BE USED MAINLY IN GOVERNMENT BUILDING INCLUDING SCHOOLS AND SOME BLACK HOUSING PLUS ROAD CONSTRUCTION. WORK WILL ALSO BEGIN ON A R35 MILLION POWER LINE LINKING NAMIBIA TO ESCOM GRID. THIS WAS VIEWED AS ESSENTIAL BECAUSE ANGOLAN INTERFERENCE HAS PREVENTED FULL OPERATION OF THE RUACANA PROJECT WHICH WOULD HAVE MADE COUNTRY SELF-SUFFICIENT IN ELECTRICITY.

5. ON THE OTHER HAND, SMALL EVIDENCES OF DISENGAGEMENT FROM SOUTH AFRICAN ECONOMY ARE SEEN. MAIN BANKS HAVE LIMITED OFFICIAL USE

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FORMED SEPARATE SUBSIDIARIES AND SA BUILDING SOCIETIES HAVE DECIDED TO PULL OUT. A NEW NATIONAL DEVELOPMENT CORPORATION IS BEING FORMED AONG WITH NON-ETHNIC LINES.

6. PRIVATE STUDIES AND OFFICIALS IN WINDHOEK FORECAST THAT NAMIBIAN ECONOMY WILL BE SELF-SUSTAINING IN ABOUT TEN YEARS, I.E., WHEN INCOME FROM ROSSING AND OTHER URANIMU MINES ARE EXPECTED TO REACH THEIR PEAK.

7. WE ARE TOLD THAT SEVERAL REPRESENTATIVES OF DEVELOPMENT INSTITUTE IN BERLIN ARE CURRENTLY LOOKING AT VARIOUS ECONOMIC SECTORS IN NAMIBIA TO EXAMINE FUTURE AID NEEDS. PRESS REPORTS THAT UK DEVELOPMENT MINISTER JUDITH HART HAS DECIDED THAT MISSIONS FROM HER MINISTRY WOULD, IN CONSULTATION WITH NEW ADMINISTRATION, IDENTIFY SWA MANPOWER AND TRAINING NEEDS. A UK SURVEY TEAM IS, WE UNDERSTAND, EXPECTED TO VISIT NAMIBIA IN DUE COURSE.
EDMONDSON

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